

## **FISCAL NOTE**

### **HB 146 - SB 849**

March 21, 2005

**SUMMARY OF BILL:** Prohibits drug manufacturers, wholesale distributors, or subsidiaries controlled by manufacturers or distributors, from charging a different price to the State of Tennessee than is charged to any other retail pharmacy in the State for prescription drugs.

#### **ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact – A change would be dependent on the manner in which the price between the distributor and the retailer is determined. To the extent that price advantages found in certain pharmacies were decreased and the price leveled at a rate higher than the average paid currently, there could be an adverse impact through increased plan expenses which result in increased plan premiums.**

**Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation could have a significant impact on the cost of health insurance premiums because drug manufacturers and distributors will no longer be allowed to negotiate with health insurers for lower prices based on volumes of prescription drugs.**

#### **Assumptions:**

- Approximately 27% of State, Local Education and Local Government Plans benefits are for prescription drugs.
- Currently, drug manufacturers and distributors could offer lower prices to reflect a larger volume associated with individual pharmacies or pharmacists.
- Any change in drug prices would have a significant impact on the State, Local Education and Local Government Plans.
- The Bureau of TennCare states that it receives the best price for prescription drugs with rebates.

#### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with a long horizontal stroke at the end.

James W. White, Executive Director